

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on April 4, 2001 at 8:00 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: None.

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 519, SB 501, SB 439
4/2/2001
Executive Action: SB 281, SB 303, SB 346

HEARING ON SB 519

Sponsor: SEN. GLENN ROUSH, SD 43, CUT BANK

Proponents: Patrick Montalban, Northern MT. Oil & Gas Assoc.
Curt Dahlgard, Somar Oil Company
Carl Weniger, Northern MT. Oil & Gas Assoc.
Gary Feland, Kipling Energy
Bob Gilbert, Northern MT. Small Producers
Gail Abercrombe, Executive Director MT. Petroleum
Association

Opponents: None

Opening Statement by Sponsor:

SEN. GLENN ROUSH, SD 43, CUT BANK, said this would increase the benchmark price of oil from \$30 to \$38 per barrel. He explained how oil was measured in Montana. He talked about the benchmark price and addressed a break even point of the costs. He would like to see fairness to the producers by keeping the wells in production and benefit the economy of Montana.

Proponents' Testimony:

Patrick Montalban, Northern MT. Oil & Gas Association, handed out a packet from Northern MT. Oil & Gas Association **EXHIBIT (tah76a01)**. He also presented a map relating to pipelines along Montana **EXHIBIT (tah76a02)**. He explained who makes up the Northern Oil & Gas Association and mentioned independent producers. He related this bill to HB 548 from the 1999 session defining the barrel wells. He talked about the wells and the production from the wells.

Curt Dahlgard, Somar Oil Company, explained the wells and what the company produces. He mentioned the period of low pricing and how it was affordable for production and the economy of the state.

Carl Weniger, Northern MT. Oil & Gas Association, talked about the price drop and how it assisted people benefitting from it. He mentioned the annual wage earnings and explained the taxes taken off, which make it hard to operate.

Gary Feland, Kipling Energy, supported the bill and talked about the people working in production of the wells.

Bob Gilbert, Northern MT. Small Producers, felt the bill dealt with economic development and survival. He addressed how the bill would keep the current producers of the wells to stay in business.

Gail Abercrombe, Executive Director, MT. Petroleum Association, talked about North Dakota incentives and how effected the state. She explained the thickness of the oil and the time frame to refine it into gas. She asked for support of the bill.

Opponents' Testimony: None

Questions from Committee Members and Responses:

{Tape 1; Side B}

REP. RON ERICKSON asked what the rate was. **Patrick Montalban** explained the original tax and how it went from net proceeds to a flat severance. He mentioned the wells in Northern Montana and the rate involved.

REP. ERICKSON referred to page six of the bill and asked about the exemption. **Patrick Montalban** explained the reasons for the rate of oil.

REP. KARL WAITSCHIES asked how much tax currently goes into the counties. **Patrick Montalban** answered five percent would go to the local counties.

REP. WAITSCHIES asked if it was five percent of the total or five percent of the 12. **Patrick Montalban** said five percent was paid from the gross.

REP. WAITSCHIES asked if it dropped to .8, would the counties not receive anything. **Patrick Montalban** answered yes, that was correct.

REP. WAITSCHIES asked what the contribution to the infrastructure was. **Patrick Montalban** explained the contributions.

REP. BUTCH WADDILL asked about the loss of revenues to the counties. **Gordan Morris, Director, Association of Counties**, illustrated the complexities of the association. He said the association does support the intent.

REP. TRUDI SCHMIDT asked about indexing per inflation. **Patrick Montalban** mentioned the posted price in Montana compared to other states.

Closing by Sponsor:

SEN. GLENN ROUSH, SD 43, CUT BANK, summarized the bill. He explained the bill stressing it would be important to the producers and for the state. He felt the bill would relate to the economy of the state. He encouraged the committee to support the bill.

HEARING ON SB 501

Sponsor: **SEN. LORENTS GROSFIELD, SD 13, BIG TIMBER**

Proponents: **Mary Whittinghill, MT. Taxpayers Association**
Webb Brown, MT. Chamber of Commerce
Ronda Carpenter, MT. Housing Providers
Mary Allen, Cenex
Gail Abercrombe, Executive Director, MT. Petroleum Association

Opponents: **None**

Informational Witness:

Gordan Morris, MT. Association of Counties

Opening Statement by Sponsor:

SEN. LORENTS GROSFIELD, SD 13, BIG TIMBER, said the bill would fix SB 184 from the 1999 session dealing with property taxes. He pointed out the duplication in language and sections of the bill. He said this would require the department to determine taxable value of property tax.

Proponents' Testimony:

Mary Whittinghill, MT. Taxpayers Association, presented a testimony **EXHIBIT (tah76a03)**. She handed out information regarding the Cascade County General Fund **EXHIBIT (tah76a04)**.

Webb Brown, MT. Chamber of Commerce, supported the bill and mentioned the impact of the appraisals of property being measured.

{Tape 2; Side A}

Ronda Carpenter, MT. Housing Providers, felt this was a good bill in assisting the department with property taxes incurred. She

explained the tax paid within Cascade County and felt the decrease in property taxes would lift a burden.

Mary Allen, Cenex, wanted the unintended consequences in the situation be corrected and she urged support of the bill.

Gail Abercrombe, Executive Director, MT. Petroleum Association, commented on the pipelines and the reevaluations of the facilities. She supported the legislation and asked for the committee to pass the bill.

Opponents' Testimony: None

Informational Witness:

Gordan Morris, MT. Association of Counties, assured the committee there would be no impropriety in terms of the counties relating to taxes collected under the law.

Questions from Committee Members and Responses:

REP. VERDELL JACKSON referred to the handout and asked if Cascade County raised the mills. **Mary Whittinghill** answered yes, and explained the mills calculation under SB 184.

REP. JACKSON asked what would happen if the mills dropped back. **Mary Whittinghill** pointed out the new tax certification and the level taken.

CHAIRMAN BOB STORY asked what the mill levy in Cascade County was. **Mary Whittinghill** answered 64.21 mills.

CHAIRMAN STORY asked about the calculations. **Mary Whittinghill** explained how to float the mills.

CHAIRMAN STORY asked if Cascade County was able to raise the mills from 64 to 65. **Mary Whittinghill** answered yes, that was correct.

Closing by Sponsor:

SEN. LORENTS GROSFIED, SD 13, BIG TIMBER, felt the bill was understandable and he explained the property increasing adding effect on the counties. He thought the department did the calculations correctly pertaining to the language. He explained fixing the areas from the past bills.

HEARING ON SB 439

Sponsor: SEN. LORENTS GROSFIED, SD 13, BIG TIMBER

Proponents: Eric Burke, MEA-MFT
Madeline Quinlin, Office of Public Instruction
Bob Vogle, MT. School Board Association

Opponents: Amy Sullivan, MT. Tourism Coalition
Candace Payne, MT. Car Rental Association
Betsy Baumgart, Tourism Advisory Council
REP. DEE BROWN HD 83, HUNGRY HORSE
Joe Taylor, Rent-A-Wreck
Steve Jacobsen, National Car Rental
Stuart Doggett, MT. Innkeepers Association
Kent Coe, Chamber of Commerce, Billings
Pat Anderson, MT. Bed & Breakfast Association
Jim Tweet, Hotel & Motel Association
Aidan Myhre, Chamber of Commerce, Helena
Cathy Burwell, Chamber of Commerce, Helena
Robert Ward, Enterprise Car Rental
Steve Costley, MT. Car Rental Association
Tom Ebzery, MT. Airport Managers
Bruce Bradford, Budget Rent-A-Car
Mike Lucero, Hertz Rent-A-Car
Marty Struzek, Hertz Rent-A-Car
Rex Lypheimer, Avis Rent-A-Car
Andy Wilcox, National Car Rental
Jerry Woodall, Hertz Rent-A-Car
Tim Peeper, Hertz Rent-A-Car
Jay Robison, Dollar Rent-A-Car

Informational Witnesses:

Arnie Olson, MT. Historical Society
Matthew Cohn, Department of Commerce, Travel MT.
Carlene Lane, MT. Arts Council

Opening Statement by Sponsor:

SEN. LORENTS GROSFIED, SD 13, BIG TIMBER, said the bill dealt with the bed tax by raising the tax from four percent to nine percent and establishes a tax on rental vehicles plus providing a tax credit against income taxes. He pointed to pages of the bill and indicated the tax information. He mentioned the statutory appropriations and the effects pertaining to the issue of the bill. He felt the minimum of ten percent to the counties was a

good base and he explained the balance of where the tourism money would come from and where it would be distributed.

{Tape 2; Side B}

Proponents' Testimony:

Eric Burke, MEA-MFT, supported the bill and pointed out this would not be a tax on Montana. He mentioned the bed tax and felt it was the lowest in the nation. He stated over half of the revenues were invested into the tourist industry for promotion.

Madeline Quinlin, Office of Public Instruction, stated the fiscal note provided funding for education. She felt by increasing the tax it would meet goals expressed by the communities to assist the state. She said the bill would allow for investments for school funding and go towards the tourism industry.

Bob Vogle, MT. School Board Association, viewed the bill as a reasonable solution to assist the needs of education. He said the bill would assist development for the state through the tourism industry and he supported the legislation.

Opponents' Testimony:

Amy Sullivan, MT. Tourism Coalition, posed the question if the bill would be good tax policy. She explained how the bill would develop a new tax and increase the bed tax.

Candace Payne, MT. Car Rental Association, strongly opposed the legislation enacting a new rental car tax. She explained the support of the tax base from car rental companies throughout the state. She handed out an information sheet **EXHIBIT (tah76a05)**.

Betsy Baumgart, Tourism Advisory Council, gave a summary of the council appointed by the Governor. She briefed the accommodations tax and explained money set aside through the travel budget assisting the state. She felt the bill was increasing the tax by 25% to fund entities that have not asked for funding or would not need the funding.

REP. DEE BROWN HD 83, HUNGRY HORSE, thought agriculture should have taxes to compare the narrow tax presented within this bill. She felt the bill would tax additional money funding the system and add bureaucracy.

Joe Taylor, Rent-A-Wreck, read a written testimony **EXHIBIT (tah76a06)**.

{Tape 3; Side A}

Steve Jacobsen, National Car Rental, went over the information sheet handed out **EXHIBIT 5**. He explained the car rental agreement for the industry of the state.

Stuart Doggett, MT. Innkeepers Association, opposed the bill and explained how promotion was funded out of the general fund for the state. He felt benefits were offered when they came from the general fund. He stated budgets would be capped by those receiving funding from the amendments place on this bill.

Kent Coe, Chamber of Commerce, Billings, opposed the bill and explained lodging revenue and how it was used. He gave a background of events and conventions for the community of Billings.

Pat Anderson, MT. Bed & Breakfast Association, strongly opposed the bill due to the increasing tax. She explained bed and breakfasts place.

Jim Tweet, Hotel & Motel Association, did not support the bed tax increase. He felt the current bed tax had been working well over the last couple of years. He encouraged the committee to not pass this legislation.

Aidan Myhre, Chamber of Commerce, Helena, didn't think this represented good tax policy. She expressed the Chamber of Commerce's support of promoting the state and reasons to oppose these type of bills.

Cathy Burwell, Chamber of Commerce, Helena, pointed out the effects the bill would target. She didn't think there was fairness by using the bed tax funds for education.

Robert Ward, Enterprise Car Rental, explained Enterprise's operation in the state. He didn't feel a selected tax should be used to pay for benefits to the public.

Steve Costley, MT. Car Rental Association, opposed the bill and felt there were problems with the definitions pertaining to language in the bill.

Tom Ebzery, MT. Airport Managers, opposed the legislation and wanted the bill to be tabled.

Bruce Bradford, Budget Rent-A-Car, didn't agree with the bill. He mentioned tourists flying into the state and the cost of tax.

Mike Lucero, Hertz Rent-A-Car, opposed the bill.

Marty Struzek, Hertz Rent-A-Car, asked for support to oppose the bill.

Rex Lypheimer, Avis Rent-A-Car, urged the committee to strongly oppose the bill.

Andy Wilcox, National Car Rental, opposed the bill.

Jerry Woodall, Hertz Rent-A-Car, opposed the bill.

Tim Peeper, Hertz Rent-A-Car, opposed the bill.

Jay Robison, Dollar Rent-A-Car, handed in a written testimony **EXHIBIT** (tah76a07).

Informational Witnesses:

Arnie Olson, MT. Historical Society, read written testimony **EXHIBIT** (tah76a08).

Matthew Cone, Department of Commerce, Travel MT., would be available for questions.

Carlene Lane, MT. Arts Council, would be available for questioning.

Questions from Committee Members and Responses:

REP. EILEEN CARNEY wondered about the Governor signing tax increases. **SEN. GROSFIELD** said that was true, however the Governor may sign if it were a referendum.

REP. CARNEY asked how much the bill passed by in the Senate. **SEN. GROSFIELD** thought the third reading vote was 33 to 14.

REP. RON DEVLIN referred to the fiscal note and asked about the estimate on bed tax. **SEN. GROSFIELD** stated 40 percent were resident and 60 percent were not residents. He was unclear towards the number presented in the fiscal note.

REP. SCHMIDT asked what the comparisons for taxes were in other states. **SEN. GROSFIELD** said the car rental tax was not

originally in the bill. He explained the surrounding states and the taxes paid.

{Tape 3; Side B}

REP. SCHMIDT asked for the comparison of car rental tax. **Candace Payne** mentioned licensing costs and she didn't have the information for comparisons. **Matthew Cohn** said there was a study done in 1989 and would offer it to the committee.

REP. JOHN ESP asked about the concerns regarding the bill. **Kent Coe** thought the revenue should be used for promotions and marketing of tourism activities.

REP. ESP asked what type of parameters would be suggested. **Kent Coe** would be interested to see what the plan would involve for the types of activities.

REP. ESP asked what figure the budget would cap at. **Amy Sullivan** said the amount would be \$8.652202 million.

REP. ESP asked what funding was available for promotions. **Amy Sullivan** deferred to Matthew Cohn. **Matthew Cohn** said they would be capped at the amount collected as of June 30, 2001.

REP. ESP asked if the bill would cap the promotion efforts. **Matthew Cohn** said it would depend upon the legislature. He said they would be capped to a certain amount.

REP. ERICKSON wanted an extra search to be done on concession fees. **Matthew Cohn** said the report booklet would offer that information.

REP. ERICKSON asked for an explanation of the cap amount. **SEN. GROSFIELD** offered reasons for the cap to be added.

REP. WADDILL asked about the calculations and how it was distributed. **Amy Sullivan** said the amount would deter people from coming into the state.

REP. LARRY CYR asked about the rebate if the bill were to pass. **SEN. GROSFIELD** said a coordination of the bills would have to be researched.

CHAIRMAN STORY asked about the percentage currently paid from bed tax. **Betsy Baumgart** did not have the answer and deferred to Matthew Cone. **Matthew Cohn** said between 35 and 40% would be paid

by residents and 60 to 65% by non-residents. He stated approximately 10 to 11% was business travel.

CHAIRMAN STORY referred to the fiscal note and asked if a larger percentage would grow due to the tax credit program. **Matthew Cohn** did not know where the 28% number came from.

Closing by Sponsor:

SEN. LORENTS GROSFIED, SD 13, BIG TIMBER, handed out information pertaining to revenue projection and assumption **EXHIBIT (tah76a09)**. He summarized the bill and expressed the tourism development on the economy. He offered explanation to the tax credit involved and how the income tax deduction would work. He mentioned the impacts with the tourism industry and felt the bill would benefit the state.

{Tape 4; Side A}

EXECUTIVE ACTION ON SB 281

Motion: **REP. BALYEAT** moved SB 281 BE AMENDED. Amendments were handed out **EXHIBIT (tah76a10)**.

Discussion:

Jeff Martin, Legislative Staff, explained what the amendments would do.

REP. JOE BALYEAT gave an example of a couple losing their property and the having proof of using certified mail.

REP. WAITSCHIES wondered about people with no forwarding address.

REP. BALYEAT thought there should be a responsibility of the person moving. He said people should not be subjected to the action of a tax sale.

REP. WAITSCHIES felt with the provision in the bill there would be prevention of the tax sale unless delivered.

REP. JACKSON wondered about the process of notification. **Jeff Martin** explained the tax sale and the process of notification.

REP. SCHMIDT thought it dealt with the person purchasing the property.

REP. DEVLIN wondered if a person denied signing the certified mail would have property taken away. REP. BALLYEAT didn't believe it would have that effect.

Vote: Motion carried 16-4 with REP. DEVLIN, REP. WAITSCHIES, REP. JACKSON and REP. ERICKSON voting no.

Motion/Vote: REP. ERICKSON moved SB 281 BE CONCURRED IN AS AMENDED. Motion carried 19-1 with CHAIRMAN STORY voting no.

EXECUTIVE ACTION ON SB 303

Motion: REP. STORY moved SB 303 BE AMENDED. Amendments were handed out EXHIBIT(tah76a11).

Discussion:

Jeff Martin explained the amendments and clarifications towards the second page of the bill pertaining to property.

Vote: Motion carried unanimously.

Motion: REP. STORY moved SB 281 BE CONCURRED IN AS AMENDED.

Discussion:

REP. BALLYEAT offered a background relating to the open space bond.

REP. ERICKSON mentioned the land being protected through the open space bond. He addressed agriculture land being included with the bill.

CHAIRMAN STORY commented upon the constitutionality of the bill.

REP. ESP had concerns with the bill relating to no cost involved.

{Tape 4; Side B}

Vote: Motion carried 15-5 with REP. SOMERVILLE, REP. BALES, REP. ESP, REP. SCHMIDT and CHAIRMAN STORY voting no.

EXECUTIVE ACTION ON SB 346

Motion: REP. ESP moved SB 346 BE AMENDED. Amendments were handed out EXHIBIT(tah76a12).

Discussion:

Jeff Martin stated the effects of the amendments pertaining to the amnesty provision for payment of property taxes.

Vote: Motion carried unanimously.

Motion: REP. ESP moved SB 346 BE CONCURRED IN AS AMENDED.

Discussion:

CHAIRMAN STORY mentioned the concern of the exemption applying to all and it only applies to those towards the credit. **Jeff Martin** explained the application process.

Vote: Motion failed 10-10 with REP. SOMERVILLE, REP. ANDERSEN, REP. BALES, REP. BALLYEAT, REP. DALE, REP. DEVLIN, REP. ESP, REP. JACKSON, REP. WAITSCHIES and CHAIRMAN STORY voting no.

ADJOURNMENT

Adjournment: 11:52 A.M.

REP. BOB STORY, Chairman

CECILE M. TROPILA, Transcriptionist

BS/RV

EXHIBIT (tah76aad)